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SOUTH DELTA SCHOOL DISTRICT

Audited Financial Statements  
For the Year Ended June 30, 2013

SOUTH DELTA SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

Superintendent and School Board  
South Delta School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the South Delta School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the South Delta School District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-12 and 35-39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Delta School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2014, on our consideration of the South Delta School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South Delta School District's internal control over financial reporting and compliance.

Watkins, Ward and Stafford, PLLC  
Jackson, Mississippi  
May 21, 2014

*Watkins Ward and Stafford, PLLC*

MANAGEMENT'S DISCUSSION AND ANALYSIS

SOUTH DELTA SCHOOL DISTRICT  
Management's Discussion and Analysis  
For the Year Ended June 30, 2013

The following discussion and analysis of South Delta School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

**FINANCIAL HIGHLIGHTS**

- Total net position for 2013 decreased \$392,663, including a prior period adjustment of \$2,373, which represents a 5% decrease from fiscal year 2012. Total net position for 2012 decreased \$1,713,206, which represents an 18% decrease from fiscal year 2011.
- General revenues amounted to \$7,550,502 and \$7,859,021, or 72% and 68% of all revenues for fiscal years 2013 and 2012, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,897,415, or 28% of total revenues for 2013, and \$3,634,897, or 32% of total revenues for 2012.
- The District had \$10,842,953 and \$13,207,124 in expenses for fiscal years 2013 and 2012; only \$2,897,415 for 2013 and \$3,634,897 for 2012 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$7,550,502 for 2013 and \$7,859,021 for 2012 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$6,208,664 in revenues and \$6,357,577 in expenditures for 2013, and \$6,256,973 in revenues and \$5,948,947 in expenditures in 2012. The General Fund's fund balance decreased by \$520,179 from 2012 to 2013, and decreased by \$306,343 from 2011 to 2012.
- Capital assets, net of accumulated depreciation, increased by \$439,202 for 2013 and decreased by \$148,192 for 2012. The increase for 2013 was due to the addition of the high school entrance.
- Long-term debt is composed of bonds and compensated absences. Long term debt did not increase or decrease for 2013 or 2012. In addition, the liability for compensated absences decreased by \$3,374 for 2013 and increased by \$4,497 for 2012.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents information on all the District's non-fiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during

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Management's Discussion and Analysis  
For the Year Ended June 30, 2013

the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest on long-term liabilities.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds** – Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All non-major funds are combined and presented in these reports as other governmental funds.

**Fiduciary funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### **Reconciliation of Government-wide and Fund Financial Statements**

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

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Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

**Supplementary Information**

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

**Other Information**

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net position**

Net position may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$7,236,694 as of June 30, 2013.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

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Table 1 presents a summary of the District's net position at June 30, 2013 and June 30, 2012.

**Table 1**  
**Condensed Statement of Net Position**

	June 30, 2013	June 30, 2012	Percentage Change
Current assets	\$ 8,860,950	\$ 10,313,611	(14.08) %
Restricted assets	228,195	82,595	176.28 %
Capital assets, net	1,647,191	1,207,989	36.36 %
<b>Total assets</b>	<b>10,736,336</b>	<b>11,604,195</b>	<b>(7.48) %</b>
Current liabilities	1,217,622	1,689,444	(27.93) %
Long-term debt outstanding	2,282,020	2,285,394	(0.15) %
<b>Total liabilities</b>	<b>3,499,642</b>	<b>3,974,838</b>	<b>(11.96) %</b>
<b>Net position:</b>			
Net investment in capital assets	(562,809)	1,207,989	(146.59) %
Restricted	6,921,280	7,236,340	(4.35) %
Unrestricted	878,223	(814,972)	207.76 %
<b>Total net position</b>	<b>\$ 7,236,694</b>	<b>\$ 7,629,357</b>	<b>(5.15) %</b>

The following are significant current year transactions that have had an impact on the Statement of Net Position.

- Decrease in current assets in the amount of \$1,452,661.
- Increase in net capital assets in the amount of \$439,202.
- Decrease in current liabilities in the amount of \$471,822.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2013 and June 30, 2012 were \$10,447,917 and \$11,493,918, respectively. The total cost of all programs and services was \$10,842,953 for 2013 and \$13,207,124 for 2012.

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Management's Discussion and Analysis  
For the Year Ended June 30, 2013

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2013 and June 30, 2012.

**Table 2  
Changes in Net Position**

	Year Ended June 30, 2013	Year Ended June 30, 2012	Percentage Change
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 149,295	\$ 238,780	(37.48) %
Operating grants and contributions	2,748,120	3,396,117	(19.08) %
General revenues:			
Property taxes	2,004,434	1,910,849	4.90 %
Grants and contributions not restricted	4,231,451	4,284,112	(1.23) %
Investment earnings	56,632	88,256	(35.83) %
Sixteenth section sources	1,005,744	1,542,421	(34.79) %
Other	252,241	33,383	655.60 %
<b>Total revenues</b>	<b>10,447,917</b>	<b>11,493,918</b>	<b>(9.10) %</b>
<b>Expenses:</b>			
Instruction	4,716,685	4,991,653	(5.51) %
Support services	5,154,417	7,206,494	(28.48) %
Non-instructional	880,203	848,493	3.74 %
Sixteenth section	75,865	154,352	(50.85) %
Interest on long-term liabilities	15,783	6,132	157.39 %
<b>Total expenses</b>	<b>10,842,953</b>	<b>13,207,124</b>	<b>(17.90) %</b>
<b>Increase (Decrease) in net position</b>	<b>(395,036)</b>	<b>(1,713,206)</b>	<b>(76.94) %</b>
<b>Net Position, July 1, as previously reported</b>	<b>7,629,357</b>	<b>9,342,563</b>	<b>(18.34) %</b>
<b>Prior Period Adjustment</b>	<b>2,373</b>	-	N/A %
<b>Net Position, July 1, as restated</b>	<b>7,631,730</b>	<b>9,342,563</b>	<b>(18.31) %</b>
<b>Net Position, June 30</b>	<b>\$ 7,236,694</b>	<b>\$ 7,629,357</b>	<b>(5.15) %</b>

**Governmental activities**

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term liabilities. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

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**Table 3**  
**Net Cost of Governmental Activities**

	<u>Total Expenses</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ 4,716,685	\$ 4,991,653	(5.51) %
Support services	5,154,417	7,206,494	(28.48) %
Non-instructional	880,203	848,493	3.74 %
Sixteenth section	75,865	154,352	(50.85) %
Interest on long-term liabilities	15,783	6,132	157.39 %
<b>Total expenses</b>	<b><u>\$ 10,842,953</u></b>	<b><u>\$ 13,207,124</u></b>	<b>(17.90) %</b>

  

	<u>Net (Expense) Revenue</u>		<u>Percentage Change</u>
	<u>2013</u>	<u>2012</u>	
Instruction	\$ (3,557,954)	\$ (3,428,094)	3.79 %
Support services	(4,230,924)	(6,171,383)	(31.44) %
Non-instructional	(65,012)	109,019	(159.63) %
Sixteenth section	(75,865)	(75,637)	0.30 %
Interest on long-term liabilities	(15,783)	(6,132)	157.39 %
<b>Total net (expense) revenue</b>	<b><u>\$ (7,945,538)</u></b>	<b><u>\$ (9,572,227)</u></b>	<b>(16.99) %</b>

- Net cost of governmental activities (\$7,945,538 for 2013 and \$9,572,227 for 2012) was financed by general revenue, which is primarily made up of property taxes (\$2,004,434 for 2013 and \$1,910,849 for 2012) and state and federal revenues (\$4,231,451 for 2013 and \$4,284,112 for 2012). In addition, there was \$1,005,744 and \$1,542,421 in Sixteenth Section sources for 2013 and 2012, respectively.
- Investment earnings amounted to \$56,632 for 2013 and \$88,256 for 2012.

### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7,883,126, a decrease of \$835,239, which includes a decrease in inventory of \$517. \$809,048, or 11%, of the fund balance is unassigned, which represents the residual classification for the general fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$7,074,078, or 89%, is either non-spendable, restricted, or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$520,179. The fund balance of Other Governmental Funds showed

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Management's Discussion and Analysis  
For the Year Ended June 30, 2013

an increase in the amount of \$80,777, which includes a decrease in inventory of \$517. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Interest Fund	\$ (395,831)
QSCB Renovation	no increase or decrease

**BUDGETARY HIGHLIGHTS**

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and major special revenue funds is provided in this report as required supplementary information.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2013, the District's total capital assets were \$5,538,622, including land, school buildings, improvements other than buildings, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$626,298 from 2012. Total accumulated depreciation as of June 30, 2013, was \$3,891,431, and total depreciation expense for the year was \$202,563, resulting in total net capital assets of \$1,647,191.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 57,128	\$ 57,128	0.00 %
Buildings	359,947	361,294	(0.37) %
Building Improvements	550,522	-	N/A %
Mobile equipment	496,679	593,605	(16.33) %
Furniture and equipment	182,915	195,962	(6.66) %
<b>Total</b>	<b>\$ 1,647,191</b>	<b>\$ 1,207,989</b>	<b>36.36 %</b>

Additional information on the District's capital assets can be found in Note 5 included in this report.

SOUTH DELTA SCHOOL DISTRICT  
 Management's Discussion and Analysis  
 For the Year Ended June 30, 2013

**Debt Administration.** At June 30, 2013, the District had \$2,282,020 in outstanding long-term debt, of which \$0 is due within one year. The liability for compensated absences decreased \$3,374 from the prior year.

**Table 5  
 Outstanding Long-Term Debt**

	June 30, 2013	June 30, 2012	Percentage Change
Qualified school construction bonds payable	\$ 2,210,000	\$ 2,210,000	0.00 %
Compensated absences payable	72,020	75,394	(4.48) %
<b>Total</b>	<b>\$ 2,282,020</b>	<b>\$ 2,285,394</b>	<b>(0.15) %</b>

Additional information on the District's long-term debt can be found in Note 6 included in this report.

**CURRENT ISSUES**

The South Delta School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting, and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state, and federal revenues.

Enrollment for the 2012-2013 year increased by approximately 5% to 913 students.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

If you have any questions about this report or need additional financial information, contact the Superintendent's Office of the South Delta School District, P.O. Box 219, Rolling Fork, MS 39159.

FINANCIAL STATEMENTS

SOUTH DELTA SCHOOL DISTRICT

Statement of Net Position  
June 30, 2013

Exhibit A

	Governmental Activities
<b>Assets</b>	
Cash and cash equivalents	\$ 5,330,644
Investments	3,000,000
Due from other governments	468,240
Accrued interest receivable	31,956
Other receivables, net	12,578
Inventories	6,593
Prepaid Items	10,939
Restricted assets	228,195
Capital assets, non-depreciable:	
Land	57,128
Capital assets, net of accumulated depreciation:	
Buildings	359,947
Building Improvements	550,522
Mobile equipment	496,679
Furniture and equipment	182,915
Total Assets	10,736,336
<b>Liabilities</b>	
Accounts payable and accrued liabilities	763,584
Unearned Revenue	442,435
Interest Payable on Long Term Debt	11,603
Long-term liabilities, due beyond one year:	
Capital related liabilities	2,210,000
Non-capital related liabilities	72,020
Total Liabilities	3,499,642
<b>Net Position</b>	
Net investment in capital assets	(562,809)
Restricted for:	
Expendable:	
School-based activities	6,560,455
Debt service	216,592
Forestry improvements	115,607
Unemployment benefits	28,626
Non-expendable:	
Sixteenth section	-
Unrestricted	878,223
Total Net Position	\$ 7,236,694

The notes to the financial statements are an integral part of this statement.

**SOUTH DELTA SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2013**

**Exhibit B**

Functions/Programs	Expenses	Program Revenues			Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental Activities:						
Instruction	\$ 4,716,685	\$ 102,081	\$ 1,056,650	\$ -		\$ (3,557,954)
Support services	5,154,417	-	923,493	-		(4,230,924)
Non-instructional	880,203	47,214	767,977	-		(65,012)
Sixteenth section	75,865	-	-	-		(75,865)
Interest on long-term liabilities	15,783	-	-	-		(15,783)
<b>Total Governmental Activities</b>	<b>\$ 10,842,953</b>	<b>\$ 149,295</b>	<b>\$ 2,748,120</b>	<b>\$ -</b>		<b>\$ (7,945,538)</b>

General Revenues:

Taxes:

General purpose levies	1,854,460
Debt purpose levies	149,974

Unrestricted grants and contributions:

State	4,128,207
Federal	103,244
Unrestricted investment earnings	56,632
Sixteenth section sources	1,005,744
Other	252,241
<b>Total General Revenues</b>	<b>7,550,502</b>

Change in Net Position	(395,036)
Net Position - Beginning, as previously reported	7,629,357
Prior Period Adjustments	2,373
Net Position - Beginning, as restated	7,631,730
Net Position - Ending	\$ 7,236,694

The notes to the financial statements are an integral part of this statement.

**SOUTH DELTA SCHOOL DISTRICT  
Governmental Funds**

**Balance Sheet  
June 30, 2013**

**Exhibit C**

	Major Funds				Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	QSCB Renovation Fund	Other Governmental Funds	
<b>Assets</b>					
Cash and cash equivalents	\$ 990,555	3,861,525	189,681	288,883	5,330,644
Cash with fiscal agents				228,195	228,195
Investments		3,000,000			3,000,000
Due from other governments	144,926	5,284		318,030	468,241
Accrued interest receivable		31,956			31,956
Due from other funds	154,488				154,488
Inventories and Prepaid items	10,939			6,593	17,532
Total assets	\$ 1,300,908	\$ 6,898,765	\$ 189,681	\$ 841,701	\$ 9,231,055
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable and accrued liabilities	\$ 350,665	16,829	189,681	206,409	763,584
Due to other funds				141,910	141,910
Unearned revenue	-	442,435	-	-	442,435
Total Liabilities	350,665	459,264	189,681	348,319	1,347,929
<b>Fund Balances:</b>					
<b>Nonspendable:</b>					
Inventories and Prepaid items	10,939			6,593	17,532
<b>Restricted:</b>					
Unemployment benefits	-	-	-	28,626	28,626
Forestry improvement purposes	-	-	-	115,607	115,607
Debt Service	-	-	-	228,195	228,195
Other Commitments	-	6,439,501	-	71,173	6,510,674
<b>Assigned:</b>	130,256			43,188	173,444
<b>Unassigned</b>	809,048			-	809,048
Total Fund Balances	950,243	6,439,501	-	493,382	7,883,126
Total Liabilities and Fund Balances	\$ 1,300,908	\$ 6,898,765	\$ 189,681	\$ 841,701	\$ 9,231,055

The notes to the financial statements are an integral part of this statement.

SOUTH DELTA SCHOOL DISTRICT  
Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2013

Exhibit C-1

Total fund balances for governmental funds \$ 7,883,126

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

Land	\$	57,128	
Buildings		1,577,439	
Building Improvements		573,460	
Mobile equipment		1,700,272	
Furniture and equipment		1,630,323	
Accumulated depreciation		<u>(3,891,431)</u>	1,647,191

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

Qualified School Construction Bonds		(2,210,000)	
Accrued Interest payable		(72,020)	
Compensated absences		<u>(11,603)</u>	(2,293,623)

Net Position of governmental activities \$ 7,236,694

The notes to the financial statements are an integral part of this statement.

**SOUTH DELTA SCHOOL DISTRICT**  
Governmental Funds

	Major Funds				Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	QSCB Renovation Fund	Other Governmental Funds	
<b>Revenues:</b>					
Local sources	1,967,949	-	-	197,533	2,165,482
State sources	4,134,781	-	-	297,600	4,432,381
Federal sources	105,934	-	-	2,441,255	2,547,189
Sixteenth section sources	1,055,500	-	-	4,825	1,060,325
<b>Total Revenues</b>	<b>6,208,664</b>	<b>1,055,500</b>	<b>-</b>	<b>2,941,213</b>	<b>10,205,377</b>
<b>Expenditures:</b>					
Instruction	3,096,042			1,463,851	4,559,893
Support services	3,261,535		760,537	1,010,221	5,032,293
Noninstructional services				873,389	873,389
Sixteenth section		51,331		24,534	75,865
Facilities acquisition and construction			573,460		573,460
Debt service:					
Interest				14,533	14,533
Other				1,250	1,250
<b>Total Expenditures</b>	<b>6,357,577</b>	<b>51,331</b>	<b>1,333,997</b>	<b>3,387,778</b>	<b>11,130,683</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(148,913)</b>	<b>1,004,169</b>	<b>(1,333,997)</b>	<b>(446,565)</b>	<b>(925,306)</b>
<b>Other Financing Sources (Uses):</b>					
Insurance Loss recoveries	96,716				96,716
Sale of other property	225				225
Operating transfers in	532,677		1,333,997	566,887	2,433,561
Other financing sources				145,600	145,600
Operating transfers out	(1,000,884)	(1,400,000)		(32,677)	(2,433,561)
Other financing uses				(151,957)	(151,957)
<b>Total Other Financing Sources (Uses)</b>	<b>(371,266)</b>	<b>(1,400,000)</b>	<b>1,333,997</b>	<b>527,853</b>	<b>90,584</b>
<b>Net Change in Fund Balances</b>	<b>(520,179)</b>	<b>(395,831)</b>	<b>-</b>	<b>81,288</b>	<b>(834,722)</b>
<b>Fund Balances:</b>					
July 1, 2012, as previously reported	1,470,422	6,835,332	-	412,611	8,718,365
Prior period adjustments	-	-	-	-	-
July 1, 2012, as restated	1,470,422	6,835,332	-	412,611	8,718,365
<b>Increase (Decrease) in inventory</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(517)</b>	<b>(517)</b>
<b>June 30, 2013</b>	<b>\$ 950,243</b>	<b>\$ 6,439,501</b>	<b>\$ -</b>	<b>\$ 493,382</b>	<b>\$ 7,883,126</b>

The notes to the financial statements are an integral part of this statement.

**SOUTH DELTA SCHOOL DISTRICT  
Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues,  
Expenditures and Changes in Fund Balances to the Statement of Activities  
For the Year Ended June 30, 2013**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ (834,722)

Amounts reported for governmental activities in the statement of activities are different because:

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 639,595	
Depreciation expense	<u>(202,563)</u>	437,032

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. (203)

3. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

Change in compensated absences	3,374	
Change in inventory	<u>(517)</u>	2,857

**Change in Net Position of governmental activities** \$ (395,036)

The notes to the financial statements are an integral part of this statement.

**SOUTH DELTA SCHOOL DISTRICT - FY13  
Fiduciary Funds**

**Statement of Fiduciary Assets and Liabilities  
June 30, 2013**

**Exhibit E**

	<u>Agency Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 20,598
 Total Assets	 <u>\$ 20,598</u>
 <b>Liabilities</b>	
Due to other funds	\$ 12,578
Due to student clubs	8,020
 Total Liabilities	 <u>\$ 20,598</u>

The notes to the financial statements are an integral part of this statement.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 1 – Summary of Significant Accounting Policies**

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

**A. Financial Reporting Entity**

As defined by accounting principles generally accepted in the United States of America, the school district is considered a "primary government." The school district is governed by a five member board to which each member is elected by the citizens of each defined county district.

For financial reporting purposes, South Delta School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

**B. Government-wide and Fund Financial Statements**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. The effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Sixteenth Section Interest Fund - This is a special revenue fund that accounts for revenues and expenditures associated with maintaining and improving sixteenth section lands.

QSCB Renovation Fund - This is a capital projects fund that accounts for bond proceeds that are being used to renovate classrooms and other school buildings.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

The school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund is used as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Accounts Payable Clearing Fund - This fund is used as a clearing fund for non-payroll type transactions.

Additionally, the school district reports the following fund types:

#### GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

#### FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the government-wide Statement of Net Position and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the county on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2003*, issued by the

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

U.S. Department of Education.

**D. Encumbrances**

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

**E. Assets, liabilities, and net position/fund balances**

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e. the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

since the costs of such items are accounted for as expenditures in the period of acquisition.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

	Capitalization Policy	Estimated Useful Life
Land	\$ 0	0
Buildings	50,000	40 years
Building improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years

See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

9. Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as non-spendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the district:

*Non-spendable fund balance* includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Committed fund balance* includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the School Board, the District's highest level of decision-making authority. This formal action is a resolution approved by the School Board. Currently there is no committed fund balance for this school district.

*Assigned fund balance* includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

When an expenditure/expense is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures/expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

**Note 2 – Cash and Cash Equivalents, Cash with Fiscal Agents, and Investments**

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

**Deposits.** The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school district's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

**Investments.** Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer ; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$5,330,644 and \$20,598 respectively. The carrying amount of deposits reported in the government-wide financial statements was reported as cash and cash equivalents of \$5,330,644. The bank balance was \$6,141,612.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2013, none of the district's bank balance of \$6,141,612 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of the school district's cash with fiscal agents held by financial institutions in the governmental funds was \$228,195. This amount is reported as restricted assets in the government-wide financial statements.

Investments

As of June 30, 2013, the district had the following investments.

Investment Type	Rating	Maturities (in years)	Fair Value
Certificates of deposit	N/A	30 months	3,000,000
Total			<u>\$ 3,000,000</u>

*Interest Rate Risk.* The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

*Custodial Credit Risk - Investments.* Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2013, the district did not have any investments to which this would apply.

*Concentration of Credit Risk.* Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 3 – Inter-fund Receivables, Payables and Transfers**

The following is a summary of inter-fund transactions and balances:

**A. Due From/To Other Funds**

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 141,910
	Fiduciary funds	12,578
Total		<u>\$ 154,488</u>

The primary purpose of the inter-fund balances is to eliminate deficit cash balances in certain special revenue funds caused by negative federal award program cash flows and to show the effects of board approved operating transfers and the resulting inter-fund balances caused by those approved transfers.

**B. Inter-fund Transfers**

Transfers Out	Transfers In	Amount
General Fund	QSCB Renovation Fund	\$ 433,997
General Fund	Other governmental funds	566,887
Sixteenth Section Interest Fund	General Fund	500,000
Sixteenth Section Interest Fund	QSCB Renovation Fund	900,000
Other governmental funds	General Fund	32,677
Total		<u>\$ 2,433,561</u>

Operating transfers were primarily for the following: indirect cost transfers, the transfer of expendable sixteenth section sources, debt service transfers, and other routine operating transfers.

**Note 4 – Restricted Assets**

The restricted assets represent the cash with fiscal agent balance totaling \$228,195 of the QSCB Bond Retirement Fund.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 5 – Capital Assets**

The following is a summary of changes in capital assets for governmental activities:

	Balance 7/1/2012	Increases	Decreases	Adjustments/ Reclassifications	Balance 6/30/2013
<b>Governmental Activities:</b>					
<u>Non-depreciable capital assets:</u>					
Land	\$ 57,128				\$ 57,128
Total non-depreciable capital assets	57,128	-	-	-	57,128
<u>Depreciable capital assets:</u>					
Buildings	1,577,439				1,577,439
Building Improvements	-	573,460			573,460
Mobile equipment	1,690,317	9,955			1,700,272
Furniture and equipment	1,587,440	56,180	20,277	6,980	1,630,323
Total depreciable capital assets	4,855,196	639,595	20,277	6,980	5,481,494
<u>Less accumulated depreciation for:</u>					
Buildings	1,216,145	1,347			1,217,492
Building Improvements	-	22,938			22,938
Mobile equipment	1,096,712	106,881			1,203,593
Furniture and equipment	1,391,478	71,397	20,074	4,607	1,447,408
Total accumulated depreciation	3,704,335	202,563	20,074	4,607	3,891,431
Total depreciable capital assets, net	1,150,861	437,032	203	2,373	1,590,063
Governmental activities capital assets, net	\$ 1,207,989	\$ 437,032	\$ 203	\$ 2,373	\$ 1,647,191

An adjustment was needed to correct prior year accumulated depreciation for furniture and equipment.

Depreciation expense was charged to the following governmental functions:

	Amount
<b>Governmental activities:</b>	
Instruction	\$ 46,335
Support services	149,767
Non-instructional	6,461
Total depreciation expense - Governmental activities	\$ 202,563

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 6 – Long-term Liabilities**

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts due within one year
A. Qualified school construction bonds payable	\$ 2,210,000	\$		\$ 2,210,000	-
B. Compensated absences payable	75,394		3,374	72,020	-
<b>Total</b>	<b>\$ 2,285,394</b>	<b>-</b>	<b>\$ 3,374</b>	<b>\$ 2,282,020</b>	<b>-</b>

**A. Qualified school construction bonds payable**

As more fully explained in Note 12, debt has been issued by the school district that qualifies as Qualified School Construction bonds. The bonds are being used for renovation projects. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified School Construction Bond, Series 2011	5.25%	5/24/2011	5/23/2026	\$ 2,210,000	\$ 2,210,000
<b>Total</b>				<b>\$ 2,210,000</b>	<b>\$ 2,210,000</b>

The following is a schedule by years of the total payments due on this debt.

Year Ending June 30	Principal	Interest	Total
2014	\$	4,862	4,862
2015		4,862	4,862
2016		4,862	4,862
2017		4,862	4,862
2018		4,862	4,862
2019 – 2023		24,310	24,310
2024 – 2026	2,210,000	14,586	2,224,586
<b>Total</b>	<b>\$ 2,210,000</b>	<b>63,206</b>	<b>2,273,206</b>

**B. Compensated absences payable**

As more fully explained in Note 1(F)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 7 – Defined Benefit Pension Plan**

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2013 was 14.26% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2013, 2012 and 2011 were \$702,835, \$709,646 and \$602,342, respectively, which equaled the required contributions for each year.

**Note 8 – Sixteenth Section Lands**

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30	Amount
2014	\$ 778,082
2015	727,077
2016	649,566
2017	490,415
2018	299,845
2019 – 2023	130,470
2024 – 2028	120,621
2029 – 2033	101,950
2034-2038	42,405
Thereafter	26,585
Total	<u>\$ 3,367,016</u>

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

**Note 9 – Prior Period Adjustments**

A summary of significant Net Position adjustments is as follows:

Exhibit B - Statement of Activities

Explanation	Amount
1. To correct prior year accumulated depreciation	\$ 2,373
Total	<u>\$ 2,373</u>

**Note 10 – Contingencies**

Federal Grants – The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation – The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

**Note 11 – Risk Management**

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Except as described below, the district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Participation in Public Entity Risk Pool

The school district is a member of the Mississippi School Boards Association Workers' Compensation Trust (MSBAWCT). The trust is a risk-sharing pool; such a pool is frequently referred to as a self-insurance pool. The trust consists of approximately 90 school districts and covers risks of loss arising from injuries to the members' employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of MSBAWCT contributes quarterly to a fund held in trust by Wells Fargo in Portland, Oregon. The funds in the trust account are used to pay any claim up to \$750,000. For a claim exceeding \$750,000, MSBAWCT has insurance which will pay the excess to the statutory amount required by the Mississippi Workers' Compensation Commission Act. If total claims during a year were to deplete the trust account, then the member school districts would be required to pay for the deficiencies. The district has not had an additional assessment for excess losses incurred by the pool.

**Note 12 – Qualified School Construction Bonds**

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Financial Statements  
For the Year Ended June 30, 2013

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2013 was \$228,195. The amount accumulated in the sinking fund at the end of the period of the bond will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Amount
2014	\$ 151,958
2015	151,958
2016	151,957
2017	151,957
2018	151,958
2019 – 2023	759,788
2024 – 2026	455,872
Total	<u>\$ 1,975,448</u>

**Note 13 - Subsequent Events**

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the South Delta School District evaluated the activity of the district through May 21, 2014, (the date the financial statements were available to be issued), and determined that there were no subsequent events that have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTH DELTA SCHOOL DISTRICT**  
**Required Supplementary Information**

**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local sources	\$ 1,970,589	\$ 1,974,527	\$ 1,967,949	\$ 3,938	\$ (6,578)
State sources	4,052,473	4,130,609	4,134,781	78,136	4,172
Federal sources	481,980	108,133	105,934	(373,847)	(2,199)
<b>Total Revenues</b>	<b>6,505,042</b>	<b>6,213,269</b>	<b>6,208,664</b>	<b>(291,773)</b>	<b>(4,605)</b>
<b>Expenditures:</b>					
Instruction	3,534,833	3,417,211	3,096,042	117,622	321,169
Support services	4,006,039	4,147,461	3,261,535	(141,422)	885,926
Noninstructional	1,600				
<b>Total Expenditures</b>	<b>7,542,472</b>	<b>7,564,672</b>	<b>6,357,577</b>	<b>(23,800)</b>	<b>1,207,095</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(1,037,430)	(1,351,403)	(148,913)	(315,573)	1,202,490
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	2,147,878	2,070,615	532,677	(77,263)	(1,537,938)
Sale of other property			225	-	225
Insurance Loss recoveries		96,716	96,716	96,716	-
Operating transfers out	(1,438,353)	(1,410,858)	(1,000,884)	27,495	409,974
<b>Total Other Financing Sources (Uses)</b>	<b>709,525</b>	<b>756,473</b>	<b>(371,266)</b>	<b>46,948</b>	<b>(1,127,739)</b>
<b>Net Change in Fund Balances</b>	<b>(327,905)</b>	<b>(594,930)</b>	<b>(520,179)</b>	<b>(268,625)</b>	<b>74,751</b>
<b>Fund Balances:</b>					
July 1, 2012	1,470,422	1,470,422	1,470,422	-	-
June 30, 2013	\$ 1,142,517	\$ 875,492	\$ 950,243	\$ (268,625)	\$ 74,751

The notes to the required supplementary information are an integral part of this schedule.

**SOUTH DELTA SCHOOL DISTRICT  
Required Supplementary Information**

**Budgetary Comparison Schedule  
Sixteenth Section Interest Fund  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Sixteenth Section sources	\$ 1,413,500	\$ 1,055,500	\$ 1,055,500	\$ (358,000)	\$ -
Total Revenues	1,413,500	1,055,500	1,055,500	(358,000)	-
<b>Expenditures:</b>					
Sixteenth Section	68,250	51,331	51,331	16,919	-
Total Expenditures	68,250	51,331	51,331	16,919	-
Excess (Deficiency) of Revenues over (under) Expenditures	1,345,250	1,004,169	1,004,169	(341,081)	-
<b>Other Financing Sources (Uses):</b>					
Operating transfers out	(2,802,551)	(1,400,000)	(1,400,000)	1,402,551	-
Total Other Financing Sources (Uses)	(2,802,551)	(1,400,000)	(1,400,000)	1,402,551	-
Net Change in Fund Balances	(1,457,301)	(395,831)	(395,831)	1,061,470	-
Fund Balances:					
July 1, 2012	6,835,332	6,835,332	6,835,332	-	-
June 30, 2013	\$ 5,378,031	\$ 6,439,501	\$ 6,439,501	\$ 1,061,470	\$ -

The notes to the required supplementary information are an integral part of this schedule.

**SOUTH DELTA SCHOOL DISTRICT  
Required Supplementary Information**

**Budgetary Comparison Schedule  
QSCB Renovation Fund  
For the Year Ended June 30, 2013**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>Revenues:</b>					
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-	-
<b>Expenditures:</b>					
Support Services	1,409,622	836,162	760,537	573,460	75,625
Facilities Acquisition and Construction		573,460	573,460	(573,460)	-
Total Expenditures	1,409,622	1,409,622	1,333,997	-	75,625
Excess (Deficiency) of Revenues over (under) Expenditures	(1,409,622)	(1,409,622)	(1,333,997)	-	75,625
<b>Other Financing Sources (Uses):</b>					
Operating transfers in	1,409,622	1,409,622	1,333,997	-	(75,625)
Total Other Financing Sources (Uses)	1,409,622	1,409,622	1,333,997	-	(75,625)
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2012,	-	-	-	-	-
June 30, 2013	\$ -	\$ -	\$ -	\$ -	\$ -

The notes to the required supplementary information are an integral part of this schedule.

SOUTH DELTA SCHOOL DISTRICT  
Notes to the Required Supplementary Information  
For the Year Ended June 30, 2013

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the General Fund and each major Special Revenue Fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

SOUTH DELTA SCHOOL DISTRICT  
Supplemental Information

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance No.	Federal Expenditures
<b><u>U.S. Department of Agriculture</u></b>		
Passed-through Mississippi Department of Education:		
Child nutrition cluster:		
School breakfast program	10.553	\$ 208,304
National school lunch program	10.555	537,050
Summer Food Service Program for Children	10.559	48,668
Total child nutrition cluster		<u>794,022</u>
Fresh Fruit and Vegetable Program	10.582	25,198
Total passed-through Mississippi Department of Education		<u>819,220</u>
Total U.S. Department of Agriculture		<u>819,220</u>
<b><u>U.S. Department of Defense</u></b>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	46,289
Total U.S. Department of Defense		<u>46,289</u>
<b><u>Federal Communications Commission</u></b>		
Administered through the Universal Service Administrative Company:		
The schools and libraries program of the universal service fund	32.xxx	95,492
Total Federal Communications Commission		<u>95,492</u>
<b><u>U.S. Department of Education</u></b>		
Passed-through Mississippi Department of Education:		
Title I grants to local educational agencies	84.010	1,027,583
Career and Technical Education - Basic Grants to States	84.048	40,541
Education for Homeless Children and Youth	84.196	30,463
Twenty-First Century Community Learning Centers	84.287	159,355
Rural education	84.358	9,135
Improving teacher quality state grants	84.367	90,276
Subtotal		<u>1,357,353</u>
Title I cluster:		
Special education cluster:		
Special education - grants to states	84.027	254,197
Special education - preschool grants	84.173	26,780
Total special education cluster		<u>280,977</u>
Total passed-through Mississippi Department of Education		<u>1,638,330</u>
Total U.S. Department of Education		<u>1,638,330</u>
<b><u>U.S. Department of Health and Human Services</u></b>		
Passed-through Mississippi Department of Education:		
Medical assistance program	93.778	10,442
Total passed-through Mississippi Department of Education		<u>10,442</u>
Total U.S. Department of Health and Human Services		<u>10,442</u>
Total for All Federal Awards		<u>\$ 2,609,773</u>

**NOTES TO SCHEDULE**

1. This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.

**SOUTH DELTA SCHOOL DISTRICT  
Supplemental Information**

**Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2013**

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 6,824,512	4,643,460	510,661	568,182	1,102,209
Other	4,306,171	1,059,176	185,560	71,204	2,990,231
<b>Total</b>	<b>\$ 11,130,683</b>	<b>5,702,636</b>	<b>696,221</b>	<b>639,386</b>	<b>4,092,440</b>
Total number of students *	913				
Cost per student	\$ 12,191	6,246	763	700	4,482

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services - Business.

School Administration - includes expenditures for the following function: Support Services - School Administration.

Other - includes all expenditure functions not included in Instruction or Administration Categories.

\* includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year

OTHER INFORMATION

**SOUTH DELTA SCHOOL DISTRICT  
Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
General Fund  
Last Four Years  
UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 1,967,949	\$ 1,950,229	\$ 1,829,273	\$ 1,781,520
State sources	4,134,781	4,133,833	4,095,835	4,353,189
Federal sources	105,934	172,911	196,133	210,820
<b>Total Revenues</b>	<b>6,208,664</b>	<b>6,256,973</b>	<b>6,121,241</b>	<b>6,345,529</b>
<b>Expenditures:</b>				
Instruction	3,096,042	2,986,829	2,664,977	3,106,190
Support services	3,261,535	2,962,118	2,823,585	2,862,160
Noninstructional			793	
<b>Total Expenditures</b>	<b>6,357,577</b>	<b>5,948,947</b>	<b>5,489,355</b>	<b>5,968,350</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(148,913)	308,026	631,886	377,179
<b>Other Financing Sources (Uses):</b>				
Insurance loss recoveries	96,716	9,705	15,124	
Sale of transportation equipment		10,745	9,275	900
Sale of other property	225			
Operating transfers in	532,677	1,070,173	493,828	933,644
Operating transfers out	(1,000,884)	(1,704,992)	(1,023,436)	(531,709)
<b>Total Other Financing Sources (Uses)</b>	<b>(371,266)</b>	<b>(614,369)</b>	<b>(505,209)</b>	<b>402,835</b>
<b>Net Change in Fund Balances</b>	<b>(520,179)</b>	<b>(306,343)</b>	<b>126,677</b>	<b>780,014</b>
<b>Fund Balances:</b>				
Beginning of period,	1,470,422	1,776,765	1,650,088	870,074
End of Period	<b>\$ 950,243</b>	<b>1,470,422</b>	<b>\$ 1,776,765</b>	<b>\$ 1,650,088</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

**SOUTH DELTA SCHOOL DISTRICT  
Other Information**

**Statement of Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
Last Four Years  
UNAUDITED**

	2013	2012*	2011*	2010*
<b>Revenues:</b>				
Local sources	\$ 2,165,482	\$ 2,098,698	\$ 1,883,730	\$ 1,843,044
State sources	4,432,381	4,450,930	4,572,268	4,674,307
Federal sources	2,547,189	3,229,300	5,021,386	4,537,583
Sixteenth section sources	1,060,325	1,693,442	1,145,812	786,180
<b>Total Revenues</b>	<b>10,205,377</b>	<b>11,472,370</b>	<b>12,623,196</b>	<b>11,841,114</b>
<b>Expenditures:</b>				
Instruction	4,559,893	4,960,226	6,397,569	6,248,464
Support services	5,032,293	7,093,407	4,148,760	4,015,450
Noninstructional services	873,389	839,498	839,259	832,294
Sixteenth section	75,865	154,352	36,350	67,625
Facilities acquisition and construction	573,460			
Debt service:				
Interest	14,533	4,849		
Other	1,250	1,250		
<b>Total Expenditures</b>	<b>11,130,683</b>	<b>13,053,582</b>	<b>11,421,938</b>	<b>11,163,833</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(925,306)	(1,581,212)	1,201,258	677,281
<b>Other Financing Sources (Uses):</b>				
Proceeds of Loan			2,210,000	
Insurance loss recoveries	96,716	9,705	15,124	
Other financing sources	145,600	82,595		
Sale of transportation equipment		11,843	9,275	900
Sale of other property	225			
Operating transfers in	2,433,561	2,254,492	1,074,487	1,465,353
Operating transfers out	(2,433,561)	(2,254,492)	(1,074,487)	(1,465,353)
Other financing uses	(151,957)	(82,595)		
<b>Total Other Financing Sources (Uses)</b>	<b>90,584</b>	<b>21,548</b>	<b>2,234,399</b>	<b>900</b>
<b>Net Change in Fund Balances</b>	<b>(834,722)</b>	<b>(1,559,664)</b>	<b>3,435,657</b>	<b>678,181</b>
<b>Fund Balances:</b>				
Beginning of period,	8,718,365	10,278,848	6,842,984	6,167,648
Increase (Decrease) in reserve for inventory	(517)	(819)	207	(2,845)
<b>End of Period</b>	<b>\$ 7,883,126</b>	<b>\$ 8,718,365</b>	<b>\$ 10,278,848</b>	<b>\$ 6,842,984</b>

\*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE



## WATKINS, WARD AND STAFFORD

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### INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Superintendent and School Board  
South Delta School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Delta School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise South Delta School District's basic financial statements, and have issued our report thereon dated May 21, 2014.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Delta School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South Delta School District's internal control. Accordingly, we do not express an opinion on the effectiveness of South Delta School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Delta School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
May 21, 2014

Watkins Ward and Stafford, PLLC



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### **Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133**

Superintendent and School Board  
South Delta School District

#### **Report on Compliance for Each Major Federal Program**

We have audited South Delta School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of South Delta School District's major federal programs for the year ended June 30, 2013. South Delta School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of South Delta School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Delta School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Delta School District's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, South Delta School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

#### **Other Matters**

The results of our auditing procedures disclosed two instances of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items **2013-01** and **2013-02**. Our opinion on each major federal program is not modified with respect to this matter.

South Delta School District's responses to the noncompliance findings identified in our audit is described in the accompanying corrective action plan. South Delta School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

#### **Report on Internal Control Over Compliance**

Management of South Delta School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Delta School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Delta School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items **2013-01** and **2013-02** that we consider to be significant deficiencies.

South Delta School District's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. South Delta School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
May 21, 2014

*Watkins Ward and Stafford, PLLC*

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS



**WATKINS, WARD AND STAFFORD**

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**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Superintendent and School Board  
South Delta School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the South Delta School District as of and for the year ended June 30, 2013, which collectively comprise South Delta School District's basic financial statements and have issued our report thereon dated May 21, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$4,777 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Watkins, Ward, and Stafford, PLLC  
Jackson, Mississippi  
May 21, 2014

*Watkins Ward and Stafford, PLLC*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SOUTH DELTA SCHOOL DISTRICT  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2013

Section I: Summary of Auditor's Results

Financial Statements:

- |    |   |               |
|----|---|---------------|
| 1. | Type of auditor's report issued:                      | Unmodified    |
| 2. | Internal control over financial reporting:            |               |
|    | a. Material weaknesses identified?                    | No            |
|    | b. Significant deficiencies identified?               | None reported |
| 3. | Noncompliance material to financial statements noted? | No            |

Federal Awards:

- |    |  |            |
|----|--|------------|
| 4. | Internal control over major programs:  |            |
|    | a. Material weakness identified?   | No         |
|    | b. Significant deficiency identified?  | Yes        |
| 5. | Type of auditor's report issued on compliance for major programs:  | Unmodified |
| 6. | Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? | Yes        |

7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Cluster
10.553; 10.555	Child Nutrition Cluster

- |     |   |           |
|-----|---|-----------|
| 8.  | Dollar threshold used to distinguish between type A and type B programs:  | \$300,000 |
| 9.  | Auditee qualified as low-risk auditee?  | No        |
| 10. | Prior fiscal year audit finding(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section __.315(b) of OMB Circular A-133. | No        |

SOUTH DELTA SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

**Significant deficiencies not considered to be a material weakness**

2013-01      Internal Controls Surrounding Eligibility Determinations Should Be Strengthened

Program: Child Nutrition Cluster, - CFDA# 10.553; 10.555

Compliance requirement: Special Test and Provisions – Verification of Free and Reduced Price Applications

Finding

Management is responsible for establishing a proper internal control system to ensure that students are eligible to receive funds based on the grant's criteria.

During testing we reviewed the samples and support for verification testing. We reviewed the four applications that included six students for the testing of eligibility requirements. Applications were tested to see if the proper income was being provided to determine the student's eligibility for free or reduced price meals. While reviewing the applications and support provided for the verification process, it was noted that three of the four applications had the wrong determination decided during the verification process. The applications should have been noted as reduced or paid students per the income provided, but were still noted as free status.

Inadequate internal controls in determining eligibility of students for grant awards resulted in the district not identifying the proper status of a student.

Requiring more than one staff member to review the grants guidelines and set up procedures to determine eligibility, will help to prevent staff from missing grant requirements for determining eligibility.

Recommendation

We recommend the district implement stronger internal controls to ensure that students receiving grant funds meet all applicable requirements with regards to eligibility.

SOUTH DELTA SCHOOL DISTRICT  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

2013-02      Internal Controls Surrounding Eligibility Determinations Should Be Strengthened

Program: Child Nutrition Cluster, - CFDA# 10.553; 10.555

Compliance requirement: Eligibility

Finding

Management is responsible for establishing a proper internal control system to ensure that students are eligible to receive funds based on the grant's criteria.

During testing eligibility, we selected twenty applications to test. We tested the applications for the proper income and status determinations. One of the twenty applications reviewed was incorrectly classified as reduced and should have been classified as free status.

Inadequate internal controls in determining eligibility of students for grant awards resulted in the district not identifying the proper status of a student.

Requiring more than one staff member to review the grants guidelines and set up procedures to determine eligibility, will help to prevent staff from missing grant requirements for determining eligibility.

Recommendation

We recommend the district implement stronger internal controls to ensure that students receiving grant funds meet all applicable requirements with regards to eligibility.

AUDITEE'S CORRECTIVE ACTION PLAN

**South Delta School District  
P. O. Box 219  
Rolling Fork, MS 39159  
Sammie Ivy, Superintendent**

**AUDITEE'S CORRECTIVE ACTION PLAN**

As required by Section \_\_\_\_, 315(c) of OMB Circular A-133, the South Delta School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the Year ended June 30, 2013:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2013-01	<p>Internal Controls Surrounding Eligibility Determinations Should Be Strengthened</p> <p>A. Name of contact person responsible for Corrective Action: Name: Mrs. Linda McGee Title: Food Service Director Phone: 662-873-4294</p> <p>B. Corrective Action Planned: The district will implement controls to ensure proper verifications are performed and that the applicants tested are provided with the proper status. The district is going to review the software that has been used to help determine the income and status of applicants.</p>
2013-02	<p>Internal Controls Surrounding Eligibility Determinations Should Be Strengthened</p> <p>A. Name of contact person responsible for Corrective Action: Name: Mrs. Linda McGee Title: Food Service Director Phone: 662-873-4294</p> <p>B. Corrective Action Planned: The district will implement controls to ensure proper eligibility or status is determined from the applicants applications. The district is going to review the software that has been used to help determine the income and status of applicants.</p>